

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7084**

**BILL NUMBER:** HB 1656

**NOTE PREPARED:** Feb 22, 2007

**BILL AMENDED:** Feb 22, 2007

**SUBJECT:** Personal property tax returns.

**FIRST AUTHOR:** Rep. Mays

**FIRST SPONSOR:** Sen. Weatherwax

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Amended Returns - Deadline:* This bill extends the deadline for filing an amended personal property tax return.

*Local Waiver:* It allows a local waiver of noncompliance with respect to filing deadlines and clerical errors for property tax credits, deductions, and exemptions.

*Amended Returns - Prior Years:* The bill allows certain taxpayers to file amended personal property tax returns for prior years.

**Effective Date:** January 1, 2007 (retroactive); Upon Passage.

**Explanation of State Expenditures:** *Local Waiver:* Under this provision, the county property tax assessment board of appeals (PTABOA) may waive noncompliance with respect to filing deadlines and clerical errors in filing for the state homestead credit. Subject to appropriation, this provision could increase state expenses to pay foregone past credits where the PTABOA approves the application.

Under this provision, the PTABOA may also waive noncompliance with respect to filing deadlines and clerical errors in filing for the railroad car maintenance credit. Total credits for all taxpayers are limited to \$2.8 M annually. If more than \$2.8 M in credits are claimed in a year, each taxpayer's claim would be reduced on a pro-rata basis.

**Explanation of State Revenues:**

## **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Amended Returns - Deadline:* Under current law, business taxpayers have until May 15<sup>th</sup> each year to file personal property tax returns. The township assessor may grant an extension of up to 30 days. Taxpayers may file amended returns until six months after the original or extended filing date. Under this bill, taxpayers would have one year, rather than six months, to file an amended return.

The Department of Local Government Finance (DLGF) must finalize all budget orders by February 15. If an amended return is filed after tax rates are set then the tax rate will have been set too low and they would not generate the intended levy amount. If the amended return is filed after taxes have been billed, then a taxpayer who files an amended return may be entitled to a refund. In either case, there would be a potential reduction in property tax revenue for the taxing units that serve the taxpayer in the year in which the amended return is filed.

*Local Waiver:* Under this provision, the PTABOA may waive noncompliance with respect to filing deadlines and clerical errors in filing for various local deductions and exemptions.

The Indiana Port Commission would be permitted to waive noncompliance with respect to maritime opportunity deductions and local designating bodies could waive noncompliance with respect to brownfield abatements.

The resulting deductions and exemptions would result in a shift to other taxpayers. Depending on the timing of the approval, this bill could also result in a refund of property taxes. Exemptions under this provision may be applied in a subsequent year if application in the current year would cause a delay in tax billing or an undue burden on a taxing unit. The fiscal impact would depend on local action.

*Amended Returns - Prior Years:* Under this bill, amended returns that were submitted for filing from January 1, 2007 through January 31, 2007 for the March 1, 2002, 2003, and 2004, assessment dates would be allowed. Taxpayers would be entitled to exemptions claimed on the inventory schedule and on the 103-W (warehouse exemption return).

The bill would also nullify a notice of increased assessed value (AV) from the township assessor. Penalties and interest would not apply to the net increase in taxes resulting from the amended return.

There is at least one known taxpayer that would be affected by this bill. This taxpayer, in Marion County, received an increase in the assessment of inventory due to an audit. The increase in net taxes for all three years combined is about \$2.3 M. The taxpayer has claimed exemptions for part of the added inventory on the amended return.

Under current law, the taxpayer does not qualify for these exemptions since they were not claimed on a timely filed original or amended return. The taxpayer must pay the entire \$2.3 M additional tax bill, plus interest at 10% per year.

Under this bill, the taxpayer would only be required to pay the portion of the tax bill that applies to the non-exempt portion of the added AV. This payment would be without interest. The taxpayer's additional tax liability would be reduced from \$2.3 M to \$69,000 if the amended return is allowed by this bill.

Since the additional assessment was due to an audit completed after property tax rates were established for the years in question, the tax rates in those years were not based on this AV. The additional tax that results from the added assessment, therefore, was not a part of the original tax levy. While this bill would result in a reduction of revenues as compared to current law, these revenues are in addition to the tax levy.

It is possible that there are other, unknown, taxpayers in Marion and other counties that could be affected by this bill. If a taxpayer other than the one cited above submitted an amended return for filing and as a result an existing assessment and tax liability are reduced, then the taxpayer would be due a refund of taxes. Property tax refunds reduce current year property tax revenue for local taxing units and school corporations. Refunds may also be paid from a balance in the taxing unit's levy excess fund, if any.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County and township assessors; County auditors; County property tax assessment boards of appeal.

**Information Sources:** Joe Smith, Baker & Daniels.

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